

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

ASOCIACIÓN DE INDUSTRIALES  
DE PUERTO RICO,

Plaintiff,

Civil No. 09-1122 (JAF)

V.

MARKETNEXT, INC., et al.,

Defendants.

**MEMORANDUM OPINION**

Plaintiff, Asociación de Industriales de Puerto Rico ("Puerto Rico Manufacturers' Association," or "AIPR"), brings this case against Defendants, MarketNext, Inc. ("MarketNext"), Edison R. Misla-Grillasca ("Misla"), Yvette Olivero-Vázquez ("Olivero"), the conjugal partnership between Misla and Olivero, Graphic Print & Design, Inc. ("Graphic"), Guillermo Avilés-Aguirrechea ("Avilés"), Glorimar de Jesús-Mila ("de Jesús"), and the conjugal partnership between Avilés and de Jesús. Docket No. 50. Plaintiff alleges trademark infringement, false designation of origin, unfair competition, false advertising, and trade name infringement under the Lanham Act, 15 U.S.C. § 1125(a); and trademark infringement, unfair competition, false advertising, trade name infringement, contractual breach, and pre-contractual liability under Puerto Rico law, Civil Code art. 1802 (P.R.). Id. Specifically, Plaintiff accuses Defendants of usurping

Civil No. 09-1122 (JAF)

-2-

1 Plaintiff's use of its trademark, "Industriales." Id. Plaintiff seeks  
2 a preliminary injunction against Defendants to bar them from further  
3 infringement of Plaintiff's trademark, Docket No. 3; Defendants  
4 opposed, Docket Nos. 42, 44. On March 11, 2009, we entered an order  
5 for a preliminary injunction against Defendants with a note that a  
6 memorandum opinion would follow. Docket No. 46.

7                   **I.**8                   **Factual and Procedural Synopsis**

9                   We draw the following facts from the record in this case thus  
10 far. Docket Nos. 1, 3, 15, 27, 42, 44, 50; Prelim. Inj. Hr'g Tr.

11                  Plaintiff is a non-profit trade association, formed in 1928,  
12 that represents businesses in the manufacturing and services sectors  
13 of Puerto Rico. Manufacturing constitutes forty percent of the Puerto  
14 Rican economy. From a peak of 1600 members in 2001, Plaintiff's  
15 membership has declined in recent years to 1200 members.

16                  In addition to manufacturers, Plaintiff's membership includes  
17 law firms and universities in Puerto Rico, and port authorities and  
18 banks in the United States proper. Plaintiff regularly communicates  
19 with its members through electronic and print media, and seeks to  
20 inform the public on matters relevant to manufacturing and services  
21 through educational programs and publications. Plaintiff relies on  
22 its relationship with its members to achieve its educational and  
23 legislative aims. To communicate with its members, Plaintiff has  
24 published a trade magazine, "Industriales."

Civil No. 09-1122 (JAF)

-3-

1           People in the manufacturing and services sectors in Puerto Rico  
2 frequently refer to Plaintiff as "los Industriales." Several news  
3 articles, dating from as early as 1994, quoted statements by  
4 Plaintiff as representative of the views of manufacturers in Puerto  
5 Rico. Docket Nos. 1-8, 15-4. An article dated August 29, 2000,  
6 referred to Plaintiff by the short form, "Industriales." Id.

7           MarketNext, Inc., is a Puerto Rico company engaged in marketing  
8 products and services through print media that it produces. Misla is  
9 the president of MarketNext; Olivero is Misla's wife. Graphic is a  
10 Puerto Rico company engaged in printing media for distribution.  
11 Avilés is the president of Graphic; de Jesús is Avilés' spouse.

12          In 2001, Plaintiff published two supplements called  
13 "Industriales" in El Nuevo Día, the daily newspaper with the largest  
14 circulation in Puerto Rico. The supplement dated July 1, 2001, bore  
15 the title, "Industriales," with the circular AIPR logo printed over  
16 the second "I" on the front cover. Docket No. 1-6. Disappointed with  
17 the inability of El Nuevo Día to run the supplement on glossy paper,  
18 Plaintiff terminated publication with El Nuevo Día and sought a new  
19 publisher.

20          Plaintiff and MarketNext executed a contract dated April 29,  
21 2003 ("Contract"), in which MarketNext agreed to undertake its best  
22 efforts in developing, publishing, and promoting Plaintiff's official  
23 publication, Industriales. Docket Nos. 1-10, 15-6. The Contract  
24 provided that MarketNext would be the exclusive dealer of the

Civil No. 09-1122 (JAF)

-4-

1 publication and would enjoy a portion of the profits from advertising  
2 for the magazine as compensation. Id. The Contract prohibited  
3 MarketNext from contracting advertisements that promote partisan  
4 politics, religion, pornography, tobacco, or alcohol. Id.  
5 Furthermore, the Contract required MarketNext to notify Plaintiff  
6 prior to changing advertising fees, report to Plaintiff monthly on  
7 the magazine's content and advertisements contracted by MarketNext,  
8 consult with Plaintiff regularly on MarketNext's promotional efforts  
9 for the magazine, submit proposed advertisements in digital format to  
10 Plaintiff in advance of printing, and report to Plaintiff if  
11 MarketNext intended to deviate from an agreed schedule for  
12 publications and content for the first year. Id. The Contract  
13 provided for termination by either party with thirty days' notice.  
14 Id. Finally, the Contract was silent on intellectual property rights.  
15 See id. Plaintiff did not discuss or contemplate copyright and  
16 trademark protection in the course of forming the Contract.

17 MarketNext produced the first issue of Industriales in 2003.  
18 The front cover bore the inscription, "Asociación de Industriales de  
19 Puerto Rico," above the title, as well as Plaintiff's website,  
20 "www.prma.com," immediately beneath the title. Docket No. 1-12. The  
21 title, however, does not include Plaintiff's logo. Id. The masthead  
22 within the magazine listed Misla as director, Olivero as sales agent,  
23 and Plaintiff's president, executive vice president, and public  
24 relations officer. Id. A notice appeared beneath the names, advising

Civil No. 09-1122 (JAF)

-5-

1 readers that "INDUSTRIALES is published quarterly by MarketNext for  
2 the Puerto Rico Manufacturer's Association." Id. Another advisory at  
3 the bottom of the masthead alerted readers to MarketNext's assertion  
4 of copyright protection over the first issue. Id. Lastly, a letter  
5 from Manuel Cidre, Plaintiff's president, appeared in a vertical  
6 column next to the masthead. Id. The letter endorsed the new magazine  
7 and bears Plaintiff's circular logo. Id.

8 During the course of MarketNext's performance on the Contract,  
9 William Riefkohl, Plaintiff's executive vice president, occasionally  
10 instructed Misla on content for Industriales, such as directing him  
11 to exclude coverage of politicians in an issue preceding the 2004  
12 Puerto Rico elections. Plaintiff never received payments from  
13 MarketNext under the profit-sharing clause in the Contract, and  
14 MarketNext never gave full accounting of its profits arising from its  
15 advertisement campaign for Industriales. At the hearing, Misla  
16 testified that he had provided some figures to Plaintiff, but could  
17 not cite specific documents. Misla considered the advertisers to be  
18 the chief clients for MarketNext, as the fees paid by advertising  
19 companies contributed to the production of Industriales.

20 MarketNext had originally obtained a list of potential  
21 advertising customers from Plaintiff comprised of Plaintiff's  
22 membership after the conclusion of their Contract in 2003.  
23 Initially, MarketNext primarily promoted Industriales among  
24 Plaintiff's members. See Docket No. 1-14. MarketNext has further

Civil No. 09-1122 (JAF)

-6-

1 developed customer relations through its own efforts, and has  
2 supplemented its contacts with Plaintiff's updated membership  
3 directories that Misla once received as a member of AIPR.  
4 Plaintiff's members continue to comprise a substantial portion,  
5 perhaps nearly one-half, of MarketNext's advertising customer base.

6 Between October 2005 and September 2007, MarketNext filed for,  
7 and secured, copyright protection from the United States Copyright  
8 Office for all issues of Industrielles from 2004 to 2007. Docket  
9 No. 44-2. The certificates of registration include no reference to  
10 Plaintiff, and Misla affirmed by signature on each of these filings  
11 that he is the authorized agent of the copyright claimant. Id.

12 On February 4, 2008, MarketNext sent a letter to Plaintiff  
13 seeking renegotiation of the Contract, demanding that Plaintiff  
14 recognize MarketNext's claim of intellectual property rights over  
15 Industrielles. Docket Nos. 1-15, 15-10. Plaintiff resisted these  
16 demands in writing. Docket Nos. 1-16, 15-10. Riefkohl met Misla  
17 personally in August 2008 to discuss the contractual dispute. Misla  
18 attended the meeting under the belief that Riefkohl had invited him  
19 to discuss the content of the magazine, an authority which Riefkohl  
20 had rarely exercised during MarketNext's course of performance to  
21 that date. After this meeting, MarketNext and Plaintiff exchanged  
22 further correspondence in which MarketNext persistently claimed  
23 ownership over the magazine and Plaintiff consistently contested  
24 these claims. Docket Nos. 1-20, 1-21, 15-14, 15-15.

Civil No. 09-1122 (JAF)

-7-

1           On May 5, 2008, MarketNext petitioned the Puerto Rico Department  
2 of State to register "Industriales" as its own trademark for  
3 publications. Docket Nos. 1-17, 15-11. In the petition, Misla  
4 certified that he had no knowledge of any other entity with the right  
5 to use the same mark in Puerto Rico. Id. In support of this  
6 application, Misla also submitted an affidavit dated April 24, 2008,  
7 asserting MarketNext's own use of the mark in its publications since  
8 2003. Docket Nos. 1-23, 15-17.

9           Publication continued under the Contract until November 5, 2008,  
10 when Plaintiff gave notice of its intent to terminate the Contract.  
11 Docket Nos. 1-22, 15-16. Since then, Defendants have produced two  
12 more issues of their publication without Plaintiff's authorization.  
13 Docket Nos. 1-25, 1-26, 15-18. The masthead in the first of these  
14 issues omitted all references to Plaintiff and its officers, and  
15 stated that MarketNext is the publisher of Industriales. Docket  
16 Nos. 1-25, 15-18. The issue included a letter from Misla which  
17 asserted that MarketNext will continue publication after six years as  
18 publisher of Industriales. Id. This issue featured numerous  
19 advertisements from firms doing business in Puerto Rico. Id.  
20 MarketNext maintains a website, "www.industrialesmag.com," to promote  
21 its publication. Docket No. 1-30.

22           On December 17, 2008, after Plaintiff had learned of the  
23 publication of the first issue without its permission, Plaintiff  
24 demanded that Graphic, MarketNext's printer, cease and desist from

Civil No. 09-1122 (JAF)

-8-

1 further publication. Docket Nos. 1-28, 15-20. In its letter,  
2 Plaintiff asserted ownership of the trademark, "Industriales," and  
3 informed Graphic that it had a pending application for trademark  
4 protection with the Puerto Rico Department of State. Id.

5 On January 23, 2009, MarketNext filed a petition before the  
6 United States Patent and Trademark Office ("PTO"), claiming ownership  
7 of the mark, "Industriales," and asserting that it had first used the  
8 mark in February 2003, and that it had first used the mark in  
9 commerce in September 2007. Docket No. 1-24. Subsequently, Plaintiff  
10 filed its own petition for trademark protection for "Industriales" on  
11 January 29, 2009, asserting first use and first use in commerce on  
12 July 1, 2001. Docket No. 1-33.

13 Misla sent a letter dated February 5, 2009, informing his  
14 advertising customers that Industriales, as published by MarketNext,  
15 was no longer affiliated with Plaintiff. Docket Nos. 1-32, 15-22.  
16 The letter stated that MarketNext would continue to develop its  
17 publication and expand distribution in Puerto Rico and the United  
18 States. Id. Lastly, the letter asserted that Defendant Olivero was  
19 the only person authorized to receive communications on placing  
20 advertisements in Industriales. Id.

21 After Plaintiff had terminated its Contract with MarketNext, it  
22 hired a new publisher, Media & Marketing Partners Co. ("Media"), to  
23 continue publication of Industriales. José J. Balmaceda, the  
24 president of Media, encountered significant problems from competition

Civil No. 09-1122 (JAF)

-9-

1 with MarketNext after Plaintiff had retained him in December 2008 to  
2 print Industriales. On January 27, 2009, MarketNext threatened Media  
3 with legal repercussions from Media's "illegal" use of "Industriales"  
4 for its publication authorized by Plaintiff. Docket No. 1-31. In the  
5 letter, MarketNext claimed trademark protection under Puerto Rico law  
6 and asserted that it had been using the title, "Industriales," since  
7 May 2003. Id. Potential interviewees and advertisers expressed  
8 reservations about cooperating with Media due to their previous  
9 relationship with MarketNext, leading Balmaceda to believe that  
10 MarketNext is thwarting his efforts at producing Industriales on  
11 behalf of Plaintiff. Two of Plaintiff's members attested to their  
12 confusion over continued publication by MarketNext without  
13 Plaintiff's authorization. Docket No. 1-29. These affiants asserted  
14 that they would not have advertised in MarketNext's publication if  
15 they had known that the magazine was unauthorized. Id.

16 Plaintiff depends on Industriales to effectively communicate  
17 with its members and to inform the public at large about its  
18 positions on economic policy in Puerto Rico. Since the termination of  
19 the Contract, Plaintiff has had no editorial control over Defendants'  
20 rival publication. Plaintiff risks loss of goodwill, business  
21 opportunities, and a vehicle to expand its membership if it cannot  
22 use the mark, "Industriales," without interference.

23 On February 10, 2009, Plaintiff commenced this action in federal  
24 district court seeking monetary damages and injunctive relief.

Civil No. 09-1122 (JAF)

-10-

Docket No. 1. Plaintiff sought a preliminary injunction against Defendants on February 10, 2009, Docket No. 3; Defendants opposed on March 9, 2009, Docket Nos. 42, 44; we held a hearing on March 10, 2009, Docket Nos. 47, 48, 49.

On March 11, 2009, we entered an order against Defendants, preliminarily enjoining them from using the mark, "Industrielles," in commerce via print or electronic media, causing the public to associate Defendants' services with Plaintiff, and competing unfairly with Plaintiff or its licensees by falsely representing the nature of Defendants' services. Docket No. 46. We allowed Defendants ten days to comply with the order and certify their compliance by sworn affidavit. Id. Furthermore, we granted the preliminary injunction on the condition that Plaintiff post a duly-qualified surety bond in the amount of \$20,000 within seventy-two hours to insure Defendants against the effects of an unwarranted injunction. Id. Lastly, we said that a memorandum opinion would follow the order. Id.

II.

## Analysis

A party may move for a preliminary injunction pursuant to Federal Rule of Civil Procedure 65. In considering the motion, we must ascertain (1) the movant's likelihood of success on the merits; (2) the potential for irreparable harm to the movant absent the injunction; (3) the balance of the equities; and (4) the public

Civil No. 09-1122 (JAF)

-11-

1 interest. Borinquen Biscuit Corp. v. M.V. Trading Corp., 443 F.3d  
2 112, 115 (1st Cir. 2006).

3 **A. Likelihood of Success on the Merits**

4 To obtain a preliminary injunction against trademark  
5 infringement, the likelihood of a plaintiff's success on the merits  
6 turns on the plaintiff's demonstration "that its mark merits  
7 protection and that the allegedly infringing use is likely to result  
8 in consumer confusion." Borinquen Biscuit, 443 F.3d at 116.

9 **1. Entitlement to Trademark Protection**

10 Plaintiff asserts that the mark, "Industriales," is entitled to  
11 trademark protection and that Plaintiff has priority in right over  
12 the mark. Docket No. 3. We find that Plaintiff has sufficiently shown  
13 that "Industriales" is a distinctive mark in the market of trade  
14 magazines printed in Puerto Rico, and that Plaintiff has prior  
15 ownership of the mark.

16 **a. Distinctiveness**

17 Federal trademark law only protects marks that distinguish one  
18 product from another. Borinquen Biscuit, 443 F.3d at 116 (citing Two  
19 Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 769 (1992)). The mark  
20 must "serve[] the purpose of identifying the source of the goods."  
21 Colt Def. LLC v. Bushmaster Firearms, Inc., 486 F.3d 701, 705 (1st  
22 Cir. 2007). Where a trademark is unregistered, the plaintiff seeking  
23 protection must satisfy the court of the mark's distinctiveness  
24 through specific facts. Borinquen Biscuit, 443 F.3d at 117. In

Civil No. 09-1122 (JAF)

-12-

1 rebuttal, the defendant may show the mark's genericness by  
2 preponderance of the evidence. See Colt Def., 486 F.3d at 705.

3 Firstly, marks classified as suggestive, arbitrary, or fanciful  
4 are inherently distinctive. Borinquen Biscuit, 443 F.3d at 116. A  
5 suggestive mark "itself does not convey information about [the]  
6 product," but rather "requires the consumer to exercise the  
7 imagination in order to draw a conclusion as to the nature of goods  
8 and services." Equine Techs., Inc. v. Equitechnology, Inc., 68 F.3d  
9 542, 545 (1st Cir. 1995). For instance, "COPPERTONE is suggestive of  
10 suntan lotion because it hints at the nature of the connected  
11 product." Boston Duck Tours, LP v. Super Duck Tours, LLC, 531 F.3d 1,  
12 n.10 (1st Cir. 2008). An arbitrary mark consists of a word or  
13 symbol in common use, but applied to a product in an idiosyncratic  
14 way such that it cannot relate to the mark's common definition.  
15 Boston Duck Tours, 531 F.3d at 13 n.11 (citing "APPLE" computers as  
16 unrelated to fruits). A fanciful mark consists of a word that was  
17 specifically invented to identify a certain product. Id. at 13 n.12  
18 (citing "EXXON" as "designed solely to designate petroleum and other  
19 related goods").

20 Secondly, descriptive marks are those that fall short of  
21 inherent distinctiveness. Borinquen Biscuit, 443 F.3d at 116. For  
22 example, "Commerce" has been held to be descriptive as applied to an  
23 insurance company, rather than inherently distinctive, because it is  
24 a word in common use in business. Commerce Nat'l Ins. Servs., Inc. v.

Civil No. 09-1122 (JAF)

-13-

Commerce Ins. Agency, Inc., 214 F.3d 432, 440 (3d Cir. 2000). Descriptive marks must acquire secondary meaning before they warrant protection as distinctive marks. Boringuen Biscuit, 443 F.3d at 116. The holder must "establish that, in the minds of the public, the primary significance of the mark is to identify the source of the product rather than the product itself." Id. (internal quotation marks omitted). Secondary meaning could be founded upon the holder's longstanding use of the mark in a particular market. See Commerce Nat'l Ins. Servs., 214 F.3d at 443-44.

Lastly, generic marks are never distinctive. Id. Their "primary significance to the relevant public [is] to identify the nature of a good, rather than its source." Colt Def., 486 F.3d at 705 (citing 15 U.S.C. § 1064(3)) (internal quotation marks omitted). For instance, "M4" was found to be a generic reference to a class of firearms, rather than a specific designation of a particular manufacturer's products. Id. at 710. To establish genericness as a defense, the defendant may resort to consumer surveys, common use in media, use by competitors, purchaser testimony, and plaintiff's own use. Id. at 706.

### 20 I. Suggestive Mark

21 Plaintiff insists that "Industriales" qualifies as a suggestive  
22 and, hence, an inherently distinctive, mark. Docket No. 3. Although  
23 Spanish is an official language in Puerto Rico, 1 L.P.R.A. § 59  
24 (1999), we translate non-English words into English to assess whether

Civil No. 09-1122 (JAF)

-14-

putative marks are suggestive or descriptive, see Attrezzi, LLC v. Maytag Corp., 436 F.3d 32, 38 (1st Cir. 2006) (applying the doctrine of foreign equivalents).

The Spanish term, "Industriales," simply means "industrialists" in English. Cassell's Spanish-English Dictionary 367 (1978). Even though the readers of Industriales may apprehend that it is a trade magazine targeting manufacturers, "industrialist," by itself, does not require an imaginary leap to identify the nature of the publication. Cf. Equine Techs., 68 F.3d at 545 (finding that imagination is needed to link "Equine Technologies" to plaintiff's hoof care products). Therefore, Plaintiff will not likely establish "Industriales" as an inherently distinctive mark at trial. See id.

### **ii. Secondary Meaning**

Although "Industrielles" does not meet the standard for suggestive marks, it has nonetheless acquired secondary meaning as a descriptive mark. To become distinctive, "the public [must] associate[] the [descriptive] term . . . not only with a specific feature or quality, but also with a single commercial source."

Like "commerce," "industrialist" is a word in common use which describes certain goods or services. See Commerce Nat'l Ins. Servs., 214 F.3d at 440. However, Plaintiff points to news articles referring to it as "los Industriales" as early as 2000. Docket Nos. 1-8, 15-4. The first several issues of Industriales explicitly advertised its affiliation with Plaintiff on the front cover. See Docket No. 1-12.

Civil No. 09-1122 (JAF)

-15-

Mastheads in later issues continued to alert readers of the publication's association with Plaintiff until Defendants produced two unauthorized editions in late 2008. Even if the title by itself failed to distinguish the magazine, MarketNext's tireless efforts in promoting the publication served to publicly associate "Industriales" with Plaintiff's periodical. Certainly, by the end of 2008, the advertising customer base of Industriales, which included many large entities engaged in commerce in Puerto Rico, had come to identify the mark with the journal itself. Such association explains the confusion of some customers when Media approached them for advertising and interviews for its licensed publication. Thus, Plaintiff has produced sufficient evidence for a preliminary finding that "Industriales" has gained secondary meaning to become a distinctive mark. See Boston Duck Tours, 531 F.3d at 13.

**15                   iii. Genericness Defense**

In an effort to defeat trademark protection, Defendants assert that "Industriales" is a generic term. Docket No. 42. We direct our inquiry to the meaning that the "relevant public" attaches to the word. See Colt Def., 486 F.3d at 706.

Based on the evidence in the record, we find that the relevant market is that of potential advertisers and readers interested in doing business in, or engaging in commerce with, Puerto Rico. As noted above, Plaintiff has cited instances of actual confusion among potential advertisers who associated the mark with a single publication. Docket No. 1-29. Defendant has presented no evidence of

Civil No. 09-1122 (JAF)

-16-

other publications with an identical title, such that "Industriales" has become a commonplace name for publications in Puerto Rico. Cf. Colt Def., 486 F.3d at 710 (finding that "M4" described an entire class of firearms). Although Defendants' own application for trademark protection in Puerto Rico, Docket No. 1-17, does not estop them from raising the genericness defense, see Boston Duck Tours, 531 F.3d at 22-23, it is relevant evidence of the mark's primary significance to the relevant public, see id. at 18. As Defendants' evidence is equivocal at best, they cannot rebut Plaintiff's case for trademark protection. See id.

**b. Priority in Right**

In riposte, Defendants maintain that, even if "Industriales" deserves trademark protection, MarketNext, not Plaintiff, owns the mark. Docket No. 42. On the contrary, we find that Plaintiff owns the mark by virtue of its agency relationship with MarketNext.

**i. First Use**

At the threshold, "it is well settled that the right to use [a] . . . mark is based on priority of appropriation." See Blanchard Importing & Distrib. Co. v. Charles Gilman & Son, Inc., 353 F.2d 400, 401 (1st Cir. 1965). However, for federal trademark protection to attach, a mark must have been used in interstate commerce. See The Trade-Mark Cases, 100 U.S. 82 (1879).

Although Plaintiff first printed a newspaper supplement, "Industriales," in El Nuevo Día in 2001, there is no evidence that circulation of this supplement reached beyond Puerto Rico. However,

Civil No. 09-1122 (JAF)

-17-

1 there is ample evidence that the magazine, Industriales, has been  
 2 distributed to Plaintiff's members, which includes public and private  
 3 entities in the United States proper. See Docket No. 48 (item 18).  
 4 Moreover, Misla has informed his customers that MarketNext intends to  
 5 expand distribution in the United States. Docket Nos. 1-32, 15-22.

6 Thus, first use of "Industriales" as a mark for a magazine may  
 7 not have occurred until 2003.<sup>1</sup> Indeed, MarketNext asserted in its  
 8 application for trademark protection that it had first used the mark  
 9 in commerce in September 2007. Docket Nos. 1-17, 15-11. In other  
 10 words, the mark did not become a valuable asset subject to ownership  
 11 until it was appropriated by first use in a magazine under the  
 12 Contract between Plaintiff and MarketNext. See Blanchard Importing,  
 13 353 F.2d at 401. Assuming that first use occurred during the course  
 14 of performance on the Contract, we address the ownership of fruits of  
 15 the contractual relationship.

### 16                   **ii. Agency Relationship**

17                  The civil law of Puerto Rico, 31 L.P.R.A. § 4421-88 (1990),  
 18 furnishes the substantive law of agency. González-González v. United  
 19 States, 581 F. Supp. 2d 272, 279 (D.P.R. 2008) (citing Erie R.R. v.  
 20 Tompkins, 304 U.S. 64, 78 (1938)). In Puerto Rico, an agent binds  
 21 himself to render a service on behalf of his principal. 31 L.P.R.A.  
 22 § 4421. The agency relationship ("mandato") may be formed expressly  
 23 or may be implied from the acts of the putative agent. Id. § 4422.

---

<sup>1</sup> If Plaintiff had indeed first used "Industriales" as a mark for publications in 2001, Plaintiff would necessarily be the owner of the mark. See Blanchard Importing, 353 F.2d at 401.

Civil No. 09-1122 (JAF)

-18-

1       Generally, unless the parties agree to compensation, the agent  
2 presumably agrees to perform his services gratuitously. Id. § 4423.  
3       Finally, an agent must account for all transactions conducted on  
4 behalf of the principal. Id. § 4443. The agent must render to the  
5 principal all fruits received in the course of the agency  
6 relationship, even if they did not arise from debts owed to the  
7 principal. Id.

8              In the case at bar, Plaintiff contracted MarketNext to produce,  
9 publish, and promote the publication, Industriales. Docket Nos. 1-10,  
10 15-6. MarketNext undertook to make its best efforts to promote  
11 Industriales as the exclusive dealer of the trade journal. Id. The  
12 Contract required MarketNext to abide by numerous conditions, in  
13 terms of production schedules and prohibited content, in rendering  
14 performance for Plaintiff. Id. The Contract obliged MarketNext to  
15 submit its advertising efforts to regular review by Plaintiff. Id.  
16 Although the Contract failed to specify the manner in which  
17 MarketNext was to account for profits, it provided that a certain  
18 portion of the profits could become payable to Plaintiff. Id. In the  
19 course of performance, Riefkohl occasionally exercised final  
20 discretion over the content of the publication. Furthermore, Misla  
21 testified that he believed that Riefkohl could influence the content  
22 of the magazine. Even if the Contract did not expressly define the  
23 relationship as one of agency, we may infer it from the terms of the  
24 Contract and MarketNext's conduct under the agreement. See 31  
25 L.P.R.A. § 4422.

Civil No. 09-1122 (JAF)

-19-

1           Because MarketNext was Plaintiff's agent, all fruits received in  
 2 the course of MarketNext's performance naturally belong to the  
 3 principal, Plaintiff. See id. § 4443. The mark, "Industriales,"  
 4 became a valuable asset after its first use in the magazine in 2003.  
 5 Although MarketNext was instrumental to the creation of this asset,  
 6 MarketNext was an agent to Plaintiff and, thus, could not have "used"  
 7 the mark for its own sake to appropriate it. Furthermore, MarketNext  
 8 was under obligation to tender the mark to Plaintiff upon the  
 9 termination of their Contract.<sup>2</sup> See id. Therefore, ownership of the  
 10 mark properly rests with Plaintiff.

11           **2. Likelihood of Consumer Confusion**

12           Plaintiff contends that it is likely to prevail on the merits  
 13 because of actual confusion by Plaintiff's members and customers who  
 14 advertise in Industriales. Docket No. 3. Eight factors guide the  
 15 inquiry into consumer confusion:

- 16           (1) the similarity of the marks; (2) the  
 17 similarity of the goods; (3) the relationship  
 18 between the parties' channels of trade; (4) the  
 19 relationship between the parties' advertising;  
 20 (5) the classes of prospective purchasers;  
 21 (6) evidence of actual confusion; (7) the  
 22 defendant's intent in adopting its mark; and  
 23 (8) the strength of the plaintiff's mark.

---

<sup>2</sup> In addition, Plaintiff did not grant its rights to Defendants as compensation. The Contract is silent on intellectual property rights, Docket Nos. 1-10, 15-6, and the law generally presumes gratuitous assumption of duties by an agent, 31 L.P.R.A. § 4423. Moreover, the Contract expressly provided for profit-sharing with MarketNext, Docket Nos. 1-10, 15-6, and, thus, fulfilled Plaintiff's obligation to pay MarketNext as an agent who specializes in marketing, see 31 L.P.R.A. § 4423.

Civil No. 09-1122 (JAF)

-20-

1       Borinquen Biscuit, 443 F.3d at 120. A court should take all eight  
2 factors into account, but none is dispositive by itself. Id.

3           Of the eight factors, evidence of actual confusion is most  
4 probative of potential confusion in the market. Id. Plaintiff has  
5 presented statements from its members indicating actual confusion  
6 over the identity of the competing magazines of Plaintiff and  
7 Defendants. Docket No. 1-29.

8           Furthermore, Plaintiff and Defendants' sparring over the use of  
9 an identical magazine title easily disposes of the first two factors.  
10          See Borinquen Biscuit, 443 F.3d at 120. Plaintiff's evidence of  
11 reluctance of prospective interviewees and advertisers on account of  
12 their prior engagement with Defendants satisfies the third, fourth,  
13 and fifth factors. See id.

14          Misla's letter informing his customers of the severance of  
15 relations with Plaintiff satisfies the seventh factor. Docket Nos. 1-  
16 32, 15-22; see Borinquen Biscuit, 443 F.3d at 120. By projecting  
17 further expansion of the magazine's circulation, Misla clearly  
18 understood that "Industriales" had become a valuable asset for  
19 advertising purposes. See Docket Nos. 1-32, 15-22. Furthermore, by  
20 insisting that Olivero is the only person authorized to contract  
21 advertisements for Industriales, Misla tried to steer clients away  
22 from Plaintiff and usurp Plaintiff's trademark ownership to reap  
23 anticipated benefits. See id.

24          Lastly, our previous discussion of the mark's entitlement to  
25 protection suggests that the mark has some strength. See Boston Duck

Civil No. 09-1122 (JAF)

-21-

1       Tours, 531 F.3d at 23 (discussing strength of mark by reference to  
2 prior analysis of secondary meaning). Therefore, Plaintiff has shown  
3 that it is likely to prevail on the merits. See Boringuen Biscuit,  
4 443 F.3d at 116.

5       **B. Irreparable Harm**

6           "[T]rademark infringements may be presumed without more to cause  
7 irreparable harm." Am. Bd. of Psychiatry & Neurology v. Johnson-  
8 Powell, 129 F.3d 1, 4 (1st Cir. 1997). As noted above, Plaintiff has  
9 demonstrated its entitlement to trademark protection and actual  
10 confusion among consumers. Plaintiff's loss of editorial control over  
11 the contents of Defendants' publication also threatens to tarnish  
12 Plaintiff's public image, as readers may associate unauthorized  
13 statements with Plaintiff itself. Furthermore, Plaintiff has come to  
14 rely on the magazine for communicating with its members and the  
15 general public, and loss of the publication would erode its influence  
16 in print and electronic media associated with industrial interests in  
17 Puerto Rico. Lastly, Defendants' promotional efforts target  
18 Plaintiff's members and, hence, threaten direct interference with  
19 Plaintiff's relationship with its members. Plaintiff has, therefore,  
20 established the likelihood of irreparable harm to its business  
21 opportunities, goodwill, and capacity for effective communication  
22 absent a preliminary injunction.

23       **C. Balance of Equities**

24           In addition to the probable harm noted above, Defendants'  
25 conduct is noteworthy for its flagrantly bad faith. While punitive

Civil No. 09-1122 (JAF)

-22-

1 damages are unavailable for contractual breach at common law, the  
2 civil law of Puerto Rico penalizes deceitful performance on a  
3 contract. See Prado-Álvarez v. R.J. Reynolds Tobacco Co., 405 F.3d  
4 36, 44-45 (1st Cir. 2005) (noting that contractual deceit (*dolus* or  
5 *dolo*) is basis for recovery). The doctrine of *dolus* extends to pre-  
6 contractual negotiations. Satellite Broad. Cable, Inc. v. Telefónica  
7 de España, S.A., 807 F. Supp. 218, 220 (D.P.R. 1992) (interpreting  
8 Civil Code art. 1802 to require good faith in negotiations).

9 Defendants' applications for copyright and trademark protection  
10 evince steady encroachment on Plaintiff's rights to the fruits of its  
11 agency relationship with MarketNext. Docket Nos. 1-17, 15-11, 44-2.  
12 MarketNext should have been aware that it served at the pleasure of  
13 Plaintiff, and that MarketNext published the magazine expressly for  
14 Plaintiff under their Contract. See Docket Nos. 1-10, 15-6. It is  
15 manifest absurdity for MarketNext to demand Plaintiff's recognition  
16 of MarketNext's claim to intellectual property, i.e., Plaintiff's  
17 relinquishment of its own rights, as the basis for renegotiation of  
18 the Contract. Docket Nos. 1-15, 15-10.

19 In addition, MarketNext owed a duty of loyalty, first and  
20 foremost, to Plaintiff. See 31 L.P.R.A. § 4442 (requiring agent to  
21 follow principal's instructions). MarketNext was, thus, under a duty  
22 not to compete with Plaintiff, its principal, or to usurp  
23 opportunities that arose from its work on behalf of Plaintiff. See  
24 id. (requiring agent to act as a good parent would for a family).

Civil No. 09-1122 (JAF)

-23-

1 Misla effectively confessed his disloyalty in open court when he  
2 testified that he considered his advertising customers to be the  
3 chief clients for MarketNext. Furthermore, MarketNext should have  
4 known that any customer relations that it had developed under the  
5 Contract were for Plaintiff's benefit and that it ought not wrest  
6 members away from Plaintiff. In attempting to cement its usurpation  
7 of Plaintiff's proprietary interests by its abuse of legal procedure,  
8 and in breaching its duty of loyalty to Plaintiff, MarketNext has  
9 proven itself to be a faithless servant indeed.

10 **D. Public Interest**

11 Lastly, the public interest weighs in favor of preliminary  
12 injunction. Defendants have insisted upon continuing their  
13 publication without authorization from Plaintiff. Docket Nos. 1-32,  
14 15-22. Defendants have represented themselves as publishers of  
15 Industriales in such a way as to mislead Plaintiff's members into  
16 believing that MarketNext, not Media, is authorized to print the  
17 magazine. Docket No. 1-29. Under these circumstances, the public  
18 could be easily deceived into believing that Defendants' publication  
19 represents Plaintiff's views on behalf of Puerto Rico's industries.  
20 Given Plaintiff's advocacy on behalf of two-fifths of Puerto Rico's  
21 economy, the potential harm to the public is particularly grave.

Civil No. 09-1122 (JAF)

-24-

III.

## Conclusion

Having heard all the witnesses with relevant knowledge, and examined all pertinent documents, we reinstate the preliminary injunction against Defendants, Docket No. 46, and **ORDER** the Defendants to show cause, **on or before April 3, 2009**, as to why the preliminary injunction should not be converted into a permanent injunction.

**IT IS SO ORDERED.**

San Juan, Puerto Rico, this 23<sup>rd</sup> day of March, 2009.

s/José Antonio Fusté  
JOSE ANTONIO FUSTE  
Chief U.S. District Judge